

Internal Revenue Service
District Director

Department of the Treasury

Person To Contact:

Telephone Number:

Refer Reply To:

Your Letter Dated:

Code Section:

501(c)(4)

Date:

MAY 19 1989

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Sir or Madam:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(4) of the Internal Revenue Code.

You are a non-profit organization formed to manage an office condominium by maintaining the grounds surrounding the condominium and paying bills common to all owners. Membership is restricted to owners of office condominium units in the building.

Your only means of financial support are monthly maintenance fees paid by the owners and occasional special assessments to the owners for improvements and/or repairs, in addition to the normal monthly fees. The regular monthly fee is \$[REDACTED]. The income received from assessment and fees is used to provide lawn maintenance, to pay utilities, insurance, fees, and licenses, and to repair and maintain the site.

You claim to have improved conditions in the neighborhood by landscaping your site, and improving your site lighting, which further improves the lighting over the parking area of an adjoining Little League baseball field.

Section 501(c)(4) of the Code provides exemption from Federal income tax for civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

Section 1.501(c)(4)-1(a)(2)(ii) of the Regulations provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is carrying on a business with the general public in a manner similar to organizations that are operated for profit.

Revenue Ruling 74-17, 1974-1 C.B. 130 holds that a group of condominium owners who form an association whose main purposes is to provide maintenance and improvement of common areas does not qualify for exemption under 501(c)(4).

Public benefit derived from the site landscaping and lighting is incidental to the owners' private benefit. Your organization is providing a service to the owners of the condominiums and is being operated in a manner similar to a for-profit organization. According to Revenue Ruling 70-535, 1970-2C.B. 117, an organization that provides a service in the same manner as a for-profit organization does not qualify for exemption. The site lighting is primarily for the benefit of the condominium owners' patrons.

The lighting of the Little League parking lot is incidental. Landscaping the grounds also works more to the benefit of the condominium owners in that the landscaping attracts patrons to the businesses housed inside the building. Beautifying the neighborhood is an incidental benefit. Providing a bus stop bench provides some community benefit, but bench makes patronizing the businesses in the condominiums easier those who use public transportation. In addition, these activities do not constitute the main purpose of the organization which is to maintain the site and pay owners' common bills.

Your organization can be distinguished from the organization described in Revenue Ruling 72-102, 1972-1C.B. 149 (as modified by Revenue Ruling 74-99, 1974-1C.B. 131) because, basically, aside from the lighting (which is on your property) and the bus bench, your activities are limited to maintaining private property.

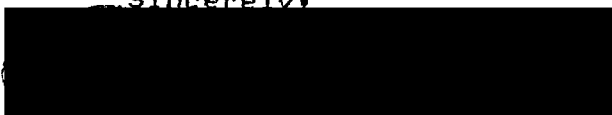
Accordingly, based on all the facts and circumstances we

conclude that you do not qualify for recognition of exemption from federal income tax under section 501(c)(4) of the Code. You are therefore required to file federal income tax returns on form 1120. Further, you fail to qualify for exemption under any related paragraph of IRC 501(c).

If you do not agree with our determination you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you have any questions, please contact the person whose name is given on the front of this letter.

Sincerely,

A large black rectangular redaction box covering the signature of the District Director.

District Director

Enclosures:
Publication 892